HUD newsletter
U. S. Department of Housing and Urban Development
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HUD Budget For FY 1975

The Federal Budget for Fiscal Year 1975, beginning July 1, 1974, has been submitted to Congress. The Budget reflects authority for the following major actions in the housing and community development areas:

- $6.6 billion to make available up to 200,000 units of new housing at a mortgage interest rate of 7¾ percent. These homes would be financed with FHA-insured or VA-guaranteed loans.

- $2.3 billion in FY 1975 for community development under the proposed *Better Communities Act,* which will assure more equitable sharing of funds, community decision-making, and drastically reduced Federal red tape.

- $110 million in comprehensive planning and management assistance grants to local authorities and States.

- Commitments in FY 1975 to subsidize the rental of an additional 300,000 newly constructed and existing units for lower income families under the newly revised Section 23 programs, pending the Department's development and evaluation of a direct cash assistance program.

- Substantial increases in operating subsidies for public housing–from a previously announced $280 million to a revised level of $350 million in 1974 to $400 million in 1975.

- $470 million in capital improvements for public housing in 1974 and 1975 under the reinstated Modernization Program.

- Recognition of estimated losses of about $400 million in 1974 and $500 million in 1975 arising out of the acquisition and disposition of defaulted FHA-insured properties both subsidized and unsubsidized.

- Total requested appropriations for FY 1975 of $5.1 billion. . . an increase of $1.6 billion over 1974 appropriations.

The FY 1975 budget continues the tests of direct cash assistance for providing housing aid to needy families. Estimated research cost for this activity is $17 million, within an expanded $70 million research program. Including the commitment of other forms of subsidy assistance, the total commitment of funds for direct cash assistance will be $200 million.

The new budget allocates approximately $12 million for Fair Housing and Equal Opportunity programs. . . including funds for additional temporary employees to further speed up the elimination of a backlog of discrimination complaints.

Four new communities with offers of commitments of up to $170 million are authorized under the *New Communities Program*. . . bringing total commitments for new communities to $588.5 million. HUD Secretary Lynn noted, however, that this program is under review and, depending upon the results of the review, the budget figures may be adjusted.

(continued)

1975 Budget—cont'd.

Fiscal 1975 budget outlays are estimated at $5.6 billion. . . including $2.3 billion for housing subsidy payments. . . and nearly $1 billion for payment of mortgage insurance claims. The total also includes an estimated $560 million for outlays under the *Better Communities Act.* The Secretary stressed that this was purely an estimate and not a ceiling. . . stating that "actual outlays in this program may be more or less than the estimate and will be governed by the rate at which cities use their funds."

Budget authority. . . estimated at $6.2 billion. . . exceeds appropriations in FY 1975 by over $1 billion—representing borrowings from the Treasury in FHA mortgage insurance programs to pay for the continuing rise in insurance claims and to support the growing inventory of acquired and assigned properties. . . estimated to increase from nearly 203,000 units in 1973 to nearly 300,000 units by the end of 1975.

The Secretary noted that traditional measures of the budget do not adequately describe HUD activity. For example. . . he said that by the end of 1975 there will be over $85 billion in FHA insurance outstanding, $16 billion in flood insurance policies in force, and another $16 billion in GNMA Mortgage-Backed Securities outstanding.

Also not included within HUD's budget totals. . . but still a very important part of the Department's activities. . . is $100 million for disaster relief administered by the Department's *Federal Disaster Assistance Administration,* successor to the *Office of Emergency Preparedness.* Should disaster costs be in excess of this sum, Secretary Lynn indicated that supplemental appropriations will be necessary.

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Current Trends

A year of increased activity and innovation in 1974 is forecast for HUD's Government National Mortgage Association by GNMA President Woodward Kingman.

The Association's most significant new activity will be implementation of its newly authorized and expanded *Tandem Plan*. . . under which 200,000 units of new housing will be financed at 7¾ percent rate of interest. This program for unsubsidized mortgages differs from the previous *Tandem Plan* in that the 7¾ percent interest rate eligible for GNMA purchase is less than the FHA maximum interest rate of 8¼ percent. . . a situation that may stimulate a downward trend in mortgage interest rates among mortgage lenders competing with GNMA.

In its mortgage-backed securities program. . . the amount guaranteed by GNMA in 1974 is expected to total about $4.5 billion, including both pass-through and bond-type securities. Last year. . . sales totaled $3 billion in pass-throughs and $900 million in bonds. Total outstandings in pass-throughs now exceed $9.1 billion. . . and an additional $3.3 billion in bond-type securities have been issued.

GNMA will hold an auction of unsubsidized multifamily mortgages February 20. Any mortgagee approved by the Federal Housing Administration will be eligible to bid in the auction. The mortgages. . . totaling approximately $150 million. . . all bear interest at the rate of 7 percent and are insured by FHA under the *National Housing Act.* All mortgages offered are eligible for inclusion in pools of mortgages which support issues of GNMA-guaranteed, mortgage-backed securities. A total of 101 mortgages will be sold in the auction.

Home mortgage purchases totaled $16 million for the week ending January 18 . . . leaving $2.2 billion in outstanding commitments. FNMA has acquired $61.7 million of home mortgages so far this year.

Morgan Guaranty Trust Company of New York has reduced to 9½ percent from 9¾ percent its prime. . . or minimum. . . interest rate on loans to large corporations. Analysts generally had anticipated a reduction in loan fees, and believed it would come early this month. Several banks immediately followed Morgan's lead.

San Antonio Plans River Museum

San Antonio may become the site of one of the Nation's most unusual art museums. . . a waterside gallery situated on the bank of the San Antonio River. . . by restoring and utilizing an existing structure, the old Lone Star Brewery.

In a recent presentation to the brewery's owners. . . the *San Antonio Museum Association*. . . a team of architects hired to study restoration told the board the project would come to some $3.4 million.

The report proposed that the historic brewery undergo redevelopment transforming it into an art gallery combined with a restaurant and private boutique or other luxury retail space.

According to a spokesman for *Cambridge Seven Associates*. . . the architects. . . the project is feasible and calls for virtually no change in the facade of the buildings. The Lone Star Brewery is listed on the *National Register of Historic Sites* as a choice example of 19th Century industrial architecture.

Before the *Museum Association* can begin to realize the dream of turning the brewery into an art gallery, it will require financial help from Federal agencies and private donors.

The art gallery complex would be one of several privately-sponsored projects along the 12-mile San Antonio River Corridor. . . underlining the advantages of utilizing existing structures as a logical and practical means of holding down development costs and retaining the individual, distinctive character of the river.

A 24-month River and Urban Corridor Feasibility Study and Analysis is covered by a HUD grant of $405,000.

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HUD's New Energy Man

Secretary Lynn has announced the appointment of Douglas M. Parker as Assistant to the Secretary for development and implementation of the Department's policies on energy matters. Such policies and programs will be designed to minimize the energy shortage's impact on housing availability for the public and its effect on the housing industry. . . and will also seek to stimulate and encourage the housing industry and State and local governments to take steps to conserve energy in housing.

Mr. Parker joined HUD in March 1973. . . serving as Assistant Director of Urban Program Coordination and Assistant Director of the Community Development Committee of the Domestic Council. In May 1973. . . he was detailed to the Office of the Counsel to the President. . . serving in that office through November 1973.

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New Builders Association in California

Four northern California homebuilding associations have consolidated to form the *Associated Building Industry of California.* Emmett Clifford has been named the *Association's* chairman of the board. He is the immediate past-president of the *Associated Home Builders of the Greater Eastbay,* Berkeley, and is vice president of Mackay Homes, Menlo Park.

The action will meld 1,200 individual company members with construction contracts totalling nearly $1 billion annually. These firms are active along the West Coast from the Oregon border to the Monterey peninsula.

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NUF Notice

The deadline for 1974-75 National Urban Fellowship applications is March 1. Potential applicants should write to NUF, Box 1475, New Haven, Conn. 06506.

New Nonprofit Corporation

Dallas Bennewitz will be the first president of *AMMINET, Inc.*. . . a nonprofit corporation formed late in 1973 to establish and operate a central, national clearinghouse for offers to buy and sell mortgage investments.

As chief executive officer of *AMMINET*. . . Bennewitz will oversee creation of a computer-based system for the remote display (via cathode ray tube) of offerings in the secondary mortgage market. Users of the system will be able to enter their own offerings into the display and also to contact other users whose offerings meet their investment needs. Operation of the system is expected to begin in April. The firm is located at 400 First St., N.W., Suite 710, Washington, D.C. 20001.

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Resource Recovery

The *German Marshall Fund of the United States (GMF),* has announced a pilot international resource recovery program.

The program. . . which will be funded by a *GMF* grant of $50,000 to the Washington-based *National Center for Resource Recovery Foundation*. . . will involve efforts to transfer advanced *NCRR* technical and organizational capabilities in the field of solid waste management and resource recovery to organizations in one or two other industrial countries which have expressed interest in achieving such transfer with appropriate local adaptation and sponsorship.

The *Fund*. . . a new private American foundation financed by a gift from the Federal Republic of Germany in appreciation of *Marshall Plan* assistance. . . is dedicated to finding new solutions to the "common problems of industrial societies."

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FHLBB Guidelines

In 1972. . . the *Federal Home Loan Bank Board*. . . together with other Federal financial regulatory agencies. . . issued regulations prohibiting member institutions from discriminating in their home lending activities on the basis of race, color, religion, or national origin.

By an issuance in the *Federal Register* on December 17, the *FHLBB* has set forth guidelines extending the prohibition to cover lending practices based on age, sex, and marital status. Also covered are matters relating to the applicant's fluency in the English language, income level, or racial composition of the neighborhood, and the borrower's prior history in money matters. The guidelines are based not only on Federal statute law and Executive Orders. . . but expressly note that the U.S. Constitution guarantees equal protection of the law for all persons.

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FYI

Architects-Engineers. . . Public Affairs Conference. . . Washington, D.C., March 18-19. Sponsored jointly by the *American Consulting Engineers Council, American Institute of Architects,* and *American Society of Civil Engineers.* **Details: Nancy Hallmark,** *American Institute of Architects,* **1735 New York Ave., N.W., Washington, D.C. 20006. (202/785-7262)**

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